



City of Woburn Massachusetts

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Scott D. Galvin
Mayor

May 25, 2023

Michael Concannon, President
Members of the City Council

Re: FY 2024 Budget ([Click here for full Budget](#))

Dear President Concannon and Honorable Members of the City Council:

I am pleased to present the FY 2024 budget to the Woburn City Council for review and approval. The General Fund budget will increase 4.57% to \$163,142,750 and the Water and Sewer budget will increase 7.47 % to \$21,752,712. The grand total for the Fiscal 2024 budget is \$ 184,895,462 up 5.74% from last year's grand total of \$174,861,385. The City side of the budget represents a level service budget, with the exception of three new employees; Deputy Police Chief, Budget Analyst and Facilities Manager. As always, our City employees continue to provide a high level of service to our residents and taxpayers.

I have prepared a lean budget primarily funded by the tax levy and water and sewer fees. The budget is partially funded by locally generated receipts, state aide and Chapter 70 school funding. This year we anticipate a moderate to minimal increase in unrestricted State Aid and Chapter 70 funding and although our local receipts have rebounded from pandemic lows, we are forecasting a decline in building permit receipts due to inflation, high interest rates and a potential recession.

We are forecasting moderate tax growth in our FY24 Residential and Personal Property tax base, which reflects a valuation date of January 1, 2023. We remain cautious concerning commercial values, due to the future impact to the office market based on the current state of the hybrid workplace and recent setbacks in our burgeoning biotech market. Due to the City of Woburn's premier location at the intersection of Routes 93 and 128, industrial property in Woburn is limited in supply and experiencing increased rental and sales values. This is a direct result of the current trend of ecommerce, increased retail distribution centers and the last mile logistics trend for immediate delivery of goods and products.

We will continue to collaboratively focus on maintaining and improving our strong financial position. Our commitment to conservative budgeting and spending, and the implementation of a number of operational best practices has helped to strengthen our financial position and retain our solid AAA S&P bond rating. Our excellent bond rating, which is the highest rating assigned by S&P, has helped save taxpayers substantial money as we borrowed funds to pay for important infrastructure projects including the new Fire Station Headquarters. The debt service for the new \$23 million fire station,

which went online in March, is fully accounted for in this budget at a TIC (true interest cost) of 1.73% over 20 years.

At the same time, we have continued to increase our reserves and unreserved fund balance. Conversely, GASB 43 & 45 reporting requirements pose a significant threat to all city and town balance sheets. These government accounting standards now require all cities to report the financial costs of retiree insurance as they are incurred and not when the employee retires. We have been addressing this monumental expense by changing retiree contributions to health insurance and through the creation of an OPEB trust, which has accumulated over \$10,287,866 through an annual appropriation of \$700,000 and prudent investments. Notwithstanding our efforts, the City has an outstanding OPEB net liability of \$ 228 million.

The FY 2024 general fund budget will increase by \$7,124,499. The budget is being mainly driven by an increase in school funding, labor and salary obligations and trash and recycling costs. As always, we regularly monitor City spending after the budget is approved. In light of the possibility of protracted inflation and its impact on the cost of City services, our review of budget verse spending will be even more critical in FY24.

I have always been a strong supporter and advocate of improving the Woburn School system for all of our children. As Mayor, one of my top priorities is providing a great education for our children. This year budgeted school funding in the general fund will exceed 50% of the total general fund budget for the first time.

Over the past ten years (not including this year), the annual school budget has increased by an average of 4.18 % per year and our actual net school spending has exceeded State required net school spending by an average 45% annually. In addition, we have provided an average of \$590,000 in annual capital funding to maintain and improve school facilities and technology, including funds to purchase lap tops for all of our students during the pandemic.

The FY24 school budget reinforces the continued strong commitment to our schools and the education of our children, which is more important now than ever. The School budget will increase from:

FY 23	\$74,033,814
FY 24	\$78,905,393 (increase of \$4.9 million)

There is also a proposed additional accommodation of \$1.8 million in City funds to cover increased out of district special education costs. This amount will be provided so long as the approved school budget does not exceed \$78,905,393. There is also \$600,000 in funding included in the City's overall capital budget.

TOTAL INCREASE \$7.3 million (9.8%)

**(In addition to the above funding to the Woburn School Department, we are also providing an additional \$240,000 in FY 24 to the Northeast Regional Vocational School.)

It is important to highlight that the school budget includes an additional \$1.7 million allocation of Federal ESSER funds for school initiatives over and above the 9.8 % spending increase. These funds will go away after this year's budget. ESSER funds used for new hiring and recurring costs will create a budget crunch in FY25, requiring necessary spending cuts to balance the budget.

I have attached a copy of the power point ([Click Here](#)) I presented to the School Committee on May 10, 2023 which explains the overall City budget process and the financial constraints and balancing that must be considered when creating a City budget with numerous departments delivering vitally important services to residents and business.

We have settled labor contracts with all Unions other than the Police Superiors, Custodians and Secretaries. The FY24 budget includes \$750,000 to fund wage increases for unsettled City labor contracts and market adjustments for City Department Heads.

We are in the final year of our three-year contract for trash and recycling pickup with Waste Management. The appropriation required for FY24 increased by \$301,533 (7%) over last year. The increase is being driven by the price of recycling materials and increases in fuel. We will continue to monitor and explore different avenues to address these impacts as we begin the procurement process for our new trash/recycling contract.

The water and sewer budget will increase by \$1,512,148 (7.47%). This increase is attributed to new debt service in the amount of \$150,000 for water system improvements, including the continued relining of aged water lines and mains. We also experienced a \$ 462,281 increase from the MWRA for water they supply to the City and our MWRA sewer charges increased by \$870,322. The MWRA charges are the major reasons for the water and sewer budget increase.

I have included the proposed new position of Deputy Chief of Police for the Woburn Police Department, appointed by the Mayor, reporting directly to the Chief of Police. The Deputy Chief will be directly responsible for supervising the three Division Captains engaged in the direct leadership of the divisions of the Department and will provide direct supervision and oversight of the day-to-day functions of the Department.

The City of Woburn is committed to providing a secure and safe school environment for our students, teachers, staff and administrators. Studies show that by creating a safe and secure learning environment for students we will be helping them obtain the best education possible and ultimately become the best they can be in life.

In furtherance of this commitment, the new Deputy Chief of Police will also act as the Police Department liaison between the Woburn School District and the Police Department. The Deputy Chief of Police will be responsible for the development, administration, coordination, and implementation of school security measures in the Woburn Schools. The Deputy Chief will report directly to the Chief of Police, as well as the Mayor and Superintendent of Schools on all matters as they relate to the Woburn School District.

Lastly, I will be submitting the updated capital budget to the City Council at your June 6, 2023 meeting. I look forward to discussing both budgets during your committee meetings.

Sincerely,

Scott D. Galvin, Mayor